

Message Text

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DRAFTED BY: EA/PRCM:NBGUENTHER
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R 131943Z FEB 75

FM SECSTATE WASHDC
TO AMCONSUL HONG KONG
USLO PEKING

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FOLLOWING REPEAT COLOMBO 0362 SENT SECSTATE DATED FEB 7.

QUOTE

LIMITED OFFICIAL USE COLOMBO 0362

E.O. 11652 N/A

TAGS: EAID, CE, CH

SUBJ: PRC-SRI LANKA 1975 TRADE PROTOCOL SIGNED IN COLOMBO

1. ELEVEN MAN PRC TRADE DELEGATION LED BY LI CHIANG,
MINISTER OF FOREIGN TRADE, AND GSL OFFICIALS, SIGNED
1975 TRADE PROTOCOL TO RUBBER/RICE BARTER AGREEMENT
FEBRUARY 4, 1975, IN COLOMBO. GSL WILL PURCHASE
250,000 METRIC TONS RICE BY SUPPLYING 70,000 METRIC
TONS SHEET RUBBER, PLUS COCONUT OIL AND SMALL AMOUNTS
OF GEMS AND OTHER PRODUCTS. PROTOCOL IS SIMILAR TO
PREDECESSORS, WITH SINGAPORE MARKET DETERMINING
RUBBER PRICES. SRI LANKA WILL PAY \$340 PER TON
C AND F FOR RICE (PRICE SUBJECT TO LATER ADJUSTMENT)
AND, ACCORDING TO SENIOR GSL OFFICIAL, INFORMAL
UNDERSTANDING WAS REACHED THAT GSL MAY USE UP TO
\$25 MILLION INTEREST-FREE LOAN IN FORM OF TEMPORARY
SHORTFALL ON RUBBER DELIVERIES TO PRC IN 1975.

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2. GSL JANUARY EXPECTATIONS THAT PRC WOULD AGREE TO TWICE THE APPROXIMATELY 200,000 M.T. RICE AMOUNT NORMALLY SUPPLIED HAD BEEN DISCOURAGED WELL BEFORE CHINESE REACHED COLOMBO. APPARENTLY ONLY PRIME MINISTER'S PERSONAL INTERVENTION SECURED VEN LAST MINUTE ADDITIONAL 50,000 M.T. AT LEAST 100,000 TONS STILL REQUIRED FOR 1975 RATION. PRESS LAVISHLY PRAISED PRC'S \$3.00 PER TON PRICE CONCESSION BUT ALSO ADVERTED TO GSL'S DISAPPOINTMENT THAT PRC TURNED DOWN REQUEST FOR LARGE ADDITIONAL RICE IMPORTS NEEDED TO REPLACE MAHA SHORTFALL. INFORMAL UNDERSTANDING BY CHINESE TO ALLOW SWING CREDIT OF \$25 MILLION APPARENTLY AGREED TO BECAUSE OF SRI LANKA'S CONSISTENT INABILITY IN RECENT YEARS TO MEET RUBBER EXPORT TARGET UNDER RICE/RUBBER AGREEMENT. IN 1974, PRC SUPPLIED 190,000 M.T. RICE UNDER BARTER ARRANGEMENT AND 40,000 M.T. RICE IN ADDITIONAL AS GIFT.
VAN HOLLEN UNQUOTE INGERSOLL

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